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**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Order Instituting Rulemaking to Implement the Commission's Procurement Incentive Framework and to Examine the Integration of Greenhouse Gas Emissions Standards into Procurement Policies.

Rulemaking 06-04-009
(Filed April 13, 2006)

**REPLY COMMENTS OF THE
NORTHERN CALIFORNIA POWER AGENCY ON THE DECEMBER 13, 2006
DRAFT *INTERIM OPINION ON PHASE 1 ISSUES: GREENHOUSE GAS
EMISSIONS PERFORMANCE STANDARD***

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January 8, 2007

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I. INTRODUCTION

Pursuant to Rule 14.3 of the California Public Utilities Commission (CPUC or Commission) rules of Practice and Procedure, the Northern California Power Agency¹ (NCPA) provides these Reply Comments in response to comments on the Proposed Decision of President Peevey and Administrative Law Judge Gottstein, *Interim Opinion on Phase 1 Issues: Greenhouse Gas Emissions Performance Standard* (Proposed Decision or PD), issued on December 13, 2006, which were filed with the Commission on January 2, 2007.

II. COMMENTS

NCPA offers these Reply Comments in response to comments addressing the Proposed Decision's adoption of an emission Standard (EPS or Standard) of 1,000 pounds of carbon dioxide per megawatt hour (lbs. CO₂/MWh).

¹ NCPA is a Joint Powers Agency whose members include the cities of Alameda, Biggs, Gridley, Healdsburg, Lodi, Lompoc, Palo Alto, Redding, Roseville, Santa Clara, and Ukiah, as well as the Bay Area Rapid Transit District, Port of Oakland, the Truckee Donner Public Utility District, and the Turlock Irrigation District, and whose Associate Members are the Lassen Municipal Utility District, Plumas-Sierra Rural Electric Cooperative, and the Placer County Water Agency.

A. Several Parties Properly Note That the EPS Should be No Less Than 1,100 lbs. CO₂ /MWh.

As the comments of the Energy Producers and Users Coalition and the Cogeneration Association of California (EPUC/CAC) correctly point out, SB 1368 mandates that the Commission set the EPS at a rate *no higher than that of a combined cycle unit* (at p. 9). There is no direction in the statute that this rate should be set at such a level as to preclude certain combined cycle plants from being able to meet it. Although not exhaustive, the Commission's own data upon which the 1,000 lbs. CO₂/MWh recommendation was based includes combined-cycle plants that exceed the 1,000 lbs. CO₂/MWh limit, yet that should not be non-compliant with the EPS. In recognition of myriad other operational and planning considerations associated with procurement (be it building a new powerplant or contracting for power) and the clear absence of any legal or compelling policy, EPUC/CAC correctly notes that the more prudent choice would be the selection of a standard of no less than 1,100 lbs.

Furthermore, as San Diego Gas and Electric correctly notes the statutory mandate in SB 1368 clearly does not require the Commission to set the standard at a level that would exclude "the most inefficient, older deemed-compliant CCGT powerplants currently in operation," and that there is nothing in SB 1368 that would limit the Commission's authority to set the limit at a number that fully reflects all "combined-cycle natural gas baseload generation" resources, and not just a select few. Accordingly, the PD should be corrected to reflect this fact and allow for a standard EPS of not less than 1,100 lbs. CO₂/MWh.

B. Utilization of the ISO Standard for Calculating the Emissions Performance Standard is Proper.

Pacific Gas and Electric Company (PG&E) notes that the calculation of the total emissions standard per MWh should be conducted using the International Organization for Standardization (ISO) standards and protocols. PG&E is correct that use of such standards is necessary. As proposed, the PD errs in failing to incorporate a calculation mechanism that would accurately account for how a specific plant operates at its given

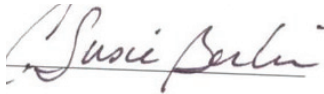
location by requiring that the emissions rate reflect the actual expected operations of the plant. Use of the ISO standards and protocols would normalize the emissions standard across all various climates, elevations and other ambient conditions. It is these same standards that are utilized by manufacturers when they are providing efficiency information on their products. Failure to use some kind of standard, such as those already developed by the ISO and widely relied upon in the industry, would impact the siting of generation resources. Furthermore, at a minimum this is likely to adversely affect the capability of load serving entities to meet local reliability requirements. NCPA concurs with PG&E that the PD should be revised to clarify that the emissions rate under the EPS be calculated using the ISO standard and protocols.

III. CONCLUSION

For the reasons set forth herein, NCPA recommends that the Proposed Decision be corrected to reflect the adoption of an EPS of no less than 1,100 lbs. CO₂/MWh, calculated at standardized temperature and pressure using ISO protocols.

January 8, 2007

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "Susie Berlin", with a horizontal line underneath.

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CERTIFICATE OF SERVICE

I hereby certify that I have this day served a copy of REPLY COMMENTS OF THE NORTHERN CALIFORNIA POWER AGENCY ON THE DECEMBER 13, 2006 DRAFT INTERIM OPINION ON PHASE 1 ISSUES: GREENHOUSE GAS EMISSIONS PERFORMANCE STANDARD on all known parties to R.06-04-009 by transmitting an e-mail message with the document attached, to each party named in the official service list, last revised January 4, 2007. For those parties that did not provide an email the document was served by first-class mail.

Executed this 8th day of January, 2007.

A handwritten signature in blue ink, appearing to read 'Katie McCarthy', is written over a horizontal line.

Katie McCarthy